

**BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, DC 20554**

In the Matter of)	
)	ET Docket No. 05-24
Requirements for Digital Television)	
Receiving Capability)	
)	

To: The Commission

**REPLY COMMENTS OF
PANASONIC CORPORATION OF NORTH AMERICA**

Panasonic Corporation of North America (“Panasonic”) respectfully submits these Reply Comments to the proposals in the Commission’s Further Notice of Proposed Rulemaking (“FNPRM”) in the above-captioned proceeding concerning the digital TV tuner mandate.¹ In the FNPRM, the Commission seeks comment on whether the schedule it mandated in August, 2002², for new television receivers (13-24” diagonal screen size) to tune digital as well as analog broadcast signals, should be changed and the compliance date moved up from July 1, 2007, to a date no later than December 31, 2006.³ The Commission also seeks comment on whether there now should be added a requirement to include a digital television (“DTV”) tuner in new receivers with screen sizes less than 13 inches.⁴

¹ *In the Matter of Requirements for Digital Television Receiving Capability*, Report and Order and Further Notice of Proposed Rulemaking, ET Docket No. 05-24, FCC 05-121 (rel. June 9, 2005) (“FNPRM”).

² 47 C.F.R. § 15.117(i) (2003); *See Review of the Commission’s Rules and Policies Affecting the Conversion to Digital Television*, MM Docket No. 00-39, Second Report and Order and Second Memorandum Opinion and Order, 17 FCC Rcd 15978 (2002) (“Digital Tuner Order”).

³ *See* FNPRM, at para. 21.

⁴ *Id.* at para. 22.

I. INTRODUCTION

Panasonic is the principal North American subsidiary of Matsushita Electric Industrial Co. Ltd., a world leader in electronics and wireless telecommunications technology. Panasonic operates over 90 business locations in North America, including 12 manufacturing facilities, and it employs some 18,000 people.

Panasonic and its subsidiaries and affiliates manufacture and distribute a wide range of consumer electronics, information technology, and other electronic products. Among its products are a large variety of televisions, including many models of high definition digital television sets (HDTVs), as well as DVD recorder/players, VHS cassette recorder/players, combination TV and/or DVD-VHS products, computers, and many other consumer electronics products, plus scores of high definition (“HD”) and other digital production, post-production, recording, and networking products for the professional television and video market.

II. PANASONIC’S PRODUCTS SUPPORT THE DTV BROADCAST TRANSITION

Panasonic is enthusiastic about the national transition to digital broadcasting, whose capacity, flexibility and quality may well help bring about a revolution in over-the-air broadcasting as a key competitor in new programming, data, and other wireless services. As such Panasonic has been an active participant in the transition process from the beginning of the DTV system development work in the U.S.—indeed, around the world—and as the manufacturing leader in the introduction of both consumer and professional equipment to support and speed the transition. In 1998 alone Panasonic introduced and sold in the U.S. the first HDTV, the first all-format digital set-top receiver, the first all-format ATSC decoder-formatter LSI, the first professional all-format converter, the first professional all-format digital video

recorder, and the first progressive-scan HD studio camera—all before the launch on-air of any but one DTV broadcast station. Since then Panasonic has designed, developed and manufactured myriad more home and studio products to meet the needs of home consumers and production professionals as they joined the move to digital and ATSC-broadcasting.

In addition Panasonic has worked to support broadcasters' roll-out of their DTV programs, stations and studios. For example, Panasonic sponsored the launch of a variety of HDTV programming on the broadcast networks—from the first high definition football series “Monday Night Football” on ABC, to the full prime-time line-up in HDTV on CBS. Panasonic provided support and assistance to broadcast TV stations—from equipment and engineering help for the first all-HD-all-the-time news commitment in the country (WRAL-TV, Raleigh, NC), to the first switchable, high definition-standard definition ENG and field cameras (DVCPRO line). And Panasonic provided fundamental engineering, technical, and evaluation services to television and film studios through its high definition telecine center and digital compression center, and now the Panasonic Hollywood Laboratory. Panasonic continues to actively collaborate with and support its broadcasting and program production customers, and its TV retail partners, in consumer and retailer education, digital TV engineering advances, and public demonstrations, advertising and promotions.

With regard to DTV tuner implementation in 36” and larger screens, Panasonic met both the 50%-of-units requirement and the 100%-of-units deadline. Indeed Panasonic was nearly one year ahead of all other TV manufacturers in including digital cable-ready tuning and the Commission's specified CableCARD capability in all of them, as broadcasters had requested and as Panasonic itself had indicated to the Commission it would do before any tuner mandate was adopted. Panasonic is now working vigorously to meet the existing requirements for the more

challenging mid-size and small-size TVs, and for other, even more complex ‘interface devices.’

III. IT IS TOO LATE TO ACCELERATE FURTHER DTV TUNER REQUIREMENTS

While Panasonic has at every turn tried to assist and support the speediest possible national transition to all-digital broadcasting, and has invested substantial sums to design, develop, manufacture, market, and promote HDTV and DTV, our company does not have unlimited resources. Further, there is strong competition for investments of the time, money, labor and facilities that are available at any point in time—and tremendous competitive pressures in the television manufacturing industry to invest wisely.

Therefore, Panasonic has relied on the implementation schedule set by the Commission three years ago—in August 2002—to schedule, develop, and coordinate its production and distribution plans for digital television products with integrated DTV tuners⁵. Panasonic made its business and resource allocation plans with the Commission’s phase-in approach clearly set out in the DTV Tuner Order in 2002. It is unfortunate that the Commission has rejected the request of those who actually manufacture televisions to avoid the market-skewing ‘percentage of units’ rule in the mid-size TV category, and rely instead on the fair, fully competitive and publicly understandable ‘percentage of models’ obligation.

In addition it takes time and fabrication experience to implement successfully significant changes in electronics and other elements of design, such as the integration into a TV of the small computer which is a ‘digital broadcast tuner.’ These ‘DTV tuners’—containing channel/frequency tuning, video and audio decoding and processing, storage and memories, and

⁵ 47 C.F.R. § 15.117(i) (2003); *See Review of the Commission’s Rules and Policies Affecting the Conversion to Digital Television*, MM Docket No. 00-39, Second Report and Order and Second Memorandum Opinion and Order, 17 FCC Rcd 15978 (2002). (“DTV Tuner Order”)

video formatting and various signaling capabilities—are vastly more complex and costly (as are the royalties for use of the intellectual property involved) than an analog TV tuner, which has been developed and improved over some 50 years and which works simultaneously to tune both broadcast off-air and cable TV channels. Therefore a minimum of some 18 to 24 months is needed to introduce a line of integrated digital TV products, which, as others have rightly commented⁶, typically requires making fundamental changes to the engineering design, electronics implementation, and physical structure of a product—especially as the shift to flat, thin and often ‘panel’ TVs has become the norm, and as consumers seek alternatives to the larger, bulkier, and boxy CRT-based TVs which sometimes offered somewhat easier ‘packaging’ implementation.

This packaging challenge alone is amplified in ‘interface’ receiver products—such as VHS and DVD recorders—where the physical ‘footprint’ of the device is expected by consumers to match or be smaller than current models, most of which themselves are considerably smaller than most cable or satellite digital set-top receivers—whose electronics are not unlike those required for broadcast reception in many basic respects. More importantly, however, DVD and nascent optical disc recorder products—such as the new high-capacity Blu-ray Disc—need all the time anticipated under the current Rule, inasmuch as the design for the analog-only versions of these products of today is now shifting to incorporate digital and full HDTV recording. It makes no sense to require a digital tuner in such products if they cannot record high definition television programming. With the transition to selling HD-capable disc recorders in the U.S. expected to begin within a year, the timing of the existing July 1, 2007, DTV tuner requirement will mesh well, by not mandating a new cost (*i.e.* the DTV tuner) before the underlying full

⁶ See Comments of Philips Electronics of North America Corporation (filed July 27, 2005).

HDTV recording capacity is in place to truly exploit it as consumers will expect. The complexity of this product provides a good example of why all the time the Commission originally provided for ‘interface’ devices, and upon which Panasonic has relied in its product planning, is required.

As CEA and CERC reported⁷, when they asked the Commission in October 2004, based on the large-screen experience at retail, to rationalize the mid-size TV requirement by eliminating the ‘50% of units’ step—an action which Panasonic supported for all the reasons cited by CEA and CERC—the price difference between TVs with integrated tuners and those without strongly affects retailers willingness to purchase and stock and consumers willingness to buy. There is a cost difference to integrate a DTV tuner, and manufacturers—the largest of which are publicly owned companies—must recover this cost. Therefore, as CEA and CERC have again provided in their Comments, one likely result of accelerating the tuner requirement for the currently very low-priced 13-24” TVs may well be to encourage manufacturers either to build monitors—*i.e.* TVs with no tuners at all—or to stop manufacturing such TVs (and interface devices) altogether. Needless to say this would not be the goal the Commission intends, any use to the national digital transition, or the desire of competitive manufacturers who currently have a place in the market for these small TVs. It should be noted again that the current marketplace, with its dominance of cable and satellite as the primary source for television service for some 85% of TV households, would continue to find such products more attractive on a price and value basis. With regard to the Commission’s question about mandatory inclusion of DTV tuners in TVs smaller than 13”, Panasonic agrees with and supports the Comments of CEA and

⁷ See Comments of the Consumer Electronics Association (“CEA”) and Consumer Electronics Retailers Coalition (“CERC”) (filed July 27, 2005) (“CEA and CERC Comments”).

CERC about the marketplace reality of such devices, even though Panasonic does not sell such televisions.

Finally, in the highly competitive retail market for televisions, success for the retailer and the manufacturer takes planning and coordination; and there is a well-established and rational schedule for this, as described in the CEA and CERC Comments⁸. This schedule, or business cycle, has developed over years of cooperation and reflects public buying and seasonal expectations. The existing Commission deadline for 13-24” TVs and interface devices fits this cycle of ‘new’ product review, ordering, completion of manufacturing plans, component purchasing, manufacturing, shipping, advertising, display, stocking, and sales. A date substantially earlier than July 1, 2007, for these sizes of TVs and for interface devices would, at this late date, unreasonably disrupt the long-expected execution of competitive plans of manufacturers and retailers, and very possibly undercut the availability and effective merchandising of the very products all have anticipated in the marketplace by July 1, 2007, even as the date for analog switch-off appears now to coming a full two years after the time the Commission itself anticipated when it set the July 1, 2007, date.

Therefore, Panasonic supports the joint Comments of the Consumer Electronics Association and the Consumer Electronics Retailers Coalition (“CEA” and “CERC”, respectively) that urge the Commission to maintain its July 1, 2007, for TVs 13-24” and for interface devices. This schedule was set by the Commission in 2002. Panasonic, like others affected by the Commission’s purview, relied on the regulatory certainty of this date, as the Commission noted in adopting this rule in 2002⁹. Rational business planning that provide a

⁸ CEA and CERC Comments, at pp. 11-12.

⁹ R&O and FNPRM, at para. 20.

sound value to consumers cannot be effective in uncertain regulatory conditions. The Commission's proposal to accelerate the requirement for the smallest TVs and other receiving devices to "December 31, 2006, *at the earliest*," (emphasis added) does not provide adequate allowance for the engineering and production challenges entailed. It would provide at best barely 16 months *if the decision were made today*. Therefore, we would concur with CEA and CERC and other TV manufacturers that if the date is accelerated, it not be made any earlier than March 1, 2007.

IV. PANASONIC SUPPORTS AFIXING LABELS TO 'ANALOG-ONLY' PRODUCTS

Panasonic also agree with the CEA and CERC Comments¹⁰ that once Congress has set a date certain for analog broadcasting shut-off, then manufacturers and retailers can and should move to label 'analog-only' products—on the product and in retail stores—to indicate that such products do not have built-in DTV broadcast tuners. As CEA and CERC indicate, manufacturers and retailers can work with the Commission, as requested and as both have done already, to devise the appropriate and uniform form for such labels.

V. CONCLUSION

Panasonic has consistently and continues to support moving to an all-digital broadcast environment as rapidly as feasible, and it has taken steps over many years in its businesses to support this goal among consumers, broadcasters and program producers and distributors. Nevertheless we respectfully submit that it is both impractical and unreasonable now, to change the schedule for implementation of a DTV requirement in small TVs and other receiving devices,

¹⁰ CEA and CERC Comments, at pp. 14-16.

as described above. And we urge the Commission maintain its existing Rule for such products, that is, July 1, 2007, or not set the date any earlier than March 1, 2007.

Respectfully submitted,

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